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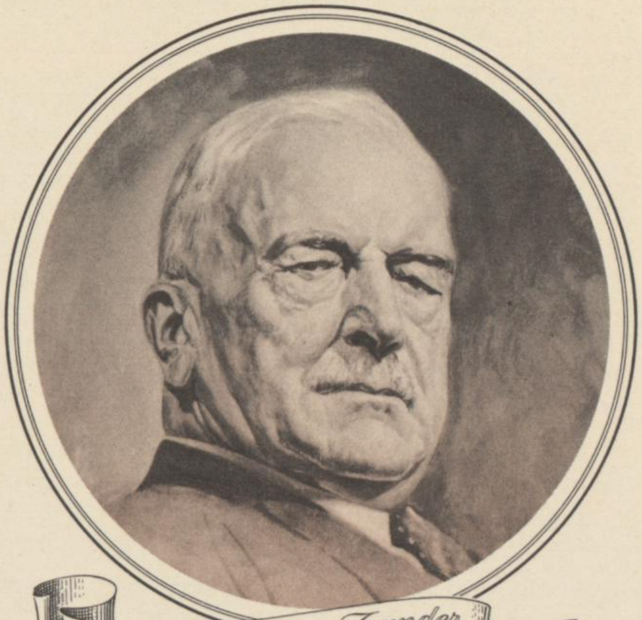


A.P. GIANNINI *Founder*
1870~1949

Annual Report

19 52

BANK OF AMERICA
NATIONAL TRUST & SAVINGS ASSOCIATION
CALIFORNIA

IN MEMORIAM

LAWRENCE MARIO GIANNINI

WHEREAS, *on the nineteenth day of August, 1952, God, in His infinite wisdom, called from our midst* LAWRENCE MARIO GIANNINI, *our esteemed fellow Director and President of Bank of America National Trust and Savings Association; and*

WHEREAS, our beloved Mario was born in San Francisco, California, on November 25, 1894; and was an early and enthusiastic associate of his illustrious father, and through his stalwart effort and tireless support did much to lay the sound foundation of the institution he was later to lead; and

WHEREAS, as President of this Association for the past seventeen years, his keen intellect, inspiring leadership, and great vision have brought this institution through its period of greatest growth, making it pre-eminent among the nation's banks, and giving it the most widespread public acceptance that any bank has ever known; and

WHEREAS, he unstintingly devoted his energies and fighting spirit to the defense of this Association against the attacks to which it was subjected, and carried as a beacon the principles which have enabled it to contribute immeasurably to the growth and development of his native state, and to the opportunities of its citizens; and

WHEREAS, he possessed a sympathetic love and understanding of his fellow man which were manifested in his active participation and leadership in many humanitarian and philanthropic endeavors for the community, the state, and the nation; and are perpetuated in an enlightened program designed to protect the employes of this Association, and their loved ones, against the financial hazards of ill-health, age, and death; and

WHEREAS, he maintained a keen and abiding interest in young people, their problems and their aspirations; in his private life he devoted much of his personal time and effort to those who were underprivileged; in his business career he made opportunity available, and gave freely of his counsel and advice, to help worthy young men achieve success in their chosen careers, and through the Association's Junior Advisory Council provided the opportunity for youth to experience the problems of management and to have its voice heard and its ideas made effective; and

WHEREAS, despite his position of power and responsibility he retained an unassuming modesty and a genuine friendliness that endeared him to men and women in every walk of life, and particularly to those who were privileged to be called his "coworkers"; and

WHEREAS, in his demise his wife and daughters have lost a devoted husband and father; his sister a beloved brother; this Association has lost an inspiring leader; the State of California, and the nation, have lost an outstanding citizen, now, therefore, be it

RESOLVED, by this Board of Directors of the Bank of America National Trust and Savings Association in regular meeting assembled, that the loss of our beloved fellow Director and President, L. M. Giannini, is the source of deepest sorrow to us, and that when we adjourn this day we do so in respect to his memory; and be it further

RESOLVED, that we extend to his sorrowing family our deepest sympathy in their bereavement; and be it further

RESOLVED, that we honor the memory of our late President by dedicating ourselves anew to the preservation of this great enterprise, the Bank of America National Trust and Savings Association, which he labored to build jointly with his revered father, A. P., and to the perpetuation of those vitalizing ideals originated by the father and sustained by the son which have proved to be the very life of this Association, an institution which shall always be maintained as an impressive monument to A. P. and his son L. M., and as an institution of outstanding public service; and be it further

RESOLVED, that this resolution be spread upon the minutes of this meeting held on this tenth day of September, 1952, and that suitably engrossed copies thereof be sent to his bereaved widow and sister.

Chairman of the Board

1894

1952

President's Report to the Stockholders 1952

San Francisco, California
January 13, 1953

In the year just closed, our bank suffered the loss of its illustrious President, L. M. Giannini. Under his inspired leadership Bank of America National Trust and Savings Association rendered its greatest measure of service to the people and achieved its greatest growth. The record stands as a tribute to the sound policies and clear-visioned planning of Mario Giannini.

Both Mario and his eminent father, A. P., were firm believers in the principle of committee management. Through consistent application of this principle, the bank has benefited by the best thinking of many minds, and has never been without experienced leadership trained in the Bankamerican way. For many years the top management and top policy-making decisions of our bank have been under the control and direction of its Managing Committee, composed of senior executive officers. The wisdom of this set-up is proved by the record. The present members of this committee are all men who have worked for many years with both A. P. and L. M. Giannini. They are all firm believers in the established policies of this bank and have dedicated themselves to the continuation of those policies.

Last September, your Board of Directors honored me with election to the presidency of this great bank of ours, which I first joined 35 years ago. It is with a deep feeling of humbleness that I undertake to follow a man of such outstanding talent and ability. The success of our bank means a great deal to me, and I shall do my utmost to see that it continues to grow and prosper as a public service institution.

In this, my first annual report to you, I have the satisfaction of confirming that Bank of America has passed the eight billion dollar milestone in resources.

- The exact amount of our total resources last December 31st, $8,201,689,369, was an increase of $670,392,442 for the year.
- Deposits, at the figure of $7,485,116,184, recorded a 12 months' gain of $669,249,389.
- Loans outstanding amounted to $4,069,150,471, a year's increase of $436,465,121.
- Investments in securities, totaling $2,413,852,775, were $25,657,870 below the figure for December 31, 1951.
- Capital funds and Reserve for Possible Loan Losses together made a total of $475,725,995, an increase of $16,731,753 during the year.

Resources, deposits, loans, and capital funds on December 31, 1952, were all the highest in the history of the bank. And among figures to ponder as we examine the record of 1952 is that which indicates the number of deposit accounts we are serving—it is now more than five million.

Who Owns the Bank?

Our family of stockholders, now the sixth largest in the United States, has over 220,000 registered members. With the exception of about two and one-half per cent of our stock held in trust for the benefit of employes under our profit-sharing plans, no one of our stockholders owns as much as one-half of one per cent of the outstanding shares. This is a truly public ownership, in which no single investor can have a controlling influence. Management in the public interest is inevitable in this kind of ownership.

Among our stockholders are over 6,000 institutional investors, such as savings banks, insurance companies and investment trusts, foundations, and labor, fraternal and fiduciary organizations.

May I observe in passing that our large family of stockholders, which is statewide, nationwide and worldwide, is a business-building force of great importance. The logical tendency of investors to patronize the services of their own bank, and recommend them to others, contributes mightily to our growth and earning power.

Earnings, Taxes, and Dividends

On top of a general increase in the cost of operating the bank, we had to meet a substantially higher tax levy in 1952. This reduced the profit margin, but with the help of a substantial increase in gross operating earnings net profits were maintained close to the previous year's figure.

Net profits realized in 1952 amounted to $50,316,287, equal to $2.10 a share on 24,000,000 shares outstanding, in comparison with $50,874,582, or $2.12 a share, in 1951. These profits are the remainder after payment of operating expenses and provision for taxes and assessments, and after transfer in each year of $10,000,000 to Reserve for Possible Loan Losses. They were the net realization from current operating earnings of $268,492,888 in 1952 and $242,147,221 in 1951.

Federal taxes on the bank's income increased to $43,000,000 in 1952 from $35,920,000 in 1951. Federal taxes alone (and there were other levies by the state and its counties and municipalities) amounted to $1.79 a share in 1952, against $1.50 a share in 1951, an increase of 29 cents a share. Thus the bank paid out more of its earnings to the Federal government in taxes than it distributed to its owners in the form of dividends. In the highest bracket applicable to our income, Federal taxes consumed 82 cents of each $1 of taxable earnings.

Having in mind, among other things, this almost confiscatory rate of taxation, we concluded a conservative program of selling certain United States Government bonds which had been purchased at a premium and reinvesting in other United States securities yielding a higher income.

This program produced a net loss, before taxes, of $5,008,001 in all sales of securities, but considering the tax benefit derived from the operation, the ultimate net loss was under $1,000,000. Even this loss should be fully offset in the reasonably near future by the gain in income from reinvestment in bonds of higher yield.

Dividends amounting to $38,400,000 in 1952 were distributed in four quarterly instalments which totaled $1.60 a share, the same as the year before. Commencing in the second quarter, dividends were paid one month earlier than previously, or at the end of May, August, and November, so as to reach stockholders prior to their quarterly tax-paying dates.

Capital and Surplus remained unchanged at $150,000,000 and $175,000,000, respectively. Undivided Profits, including the retained portion of the year's earnings, amounted to $94,076,801 on December 31, 1952. Contingency reserves were $5,225,345. Capital funds, which do not include the Reserve for Possible Loan Losses, totaled $424,302,146 at the year end, against $412,385,858 the year before. The Reserve for Possible Loan Losses, which is a free reserve in the sense that it has not been allocated to any particular loans or type of loans, closed the year at $51,423,849, compared with $46,608,384 on December 31, 1951, giving effect to the addition from the year's earnings, to credits for recoveries, and to charges for all known loan losses.

Comparative Summary of Earnings

	1952		1951	
CURRENT OPERATING EARNINGS:				
Interest on loans	$189,465,496		$168,074,066	
Interest and dividends on securities, after amortization, and net profit or loss from sales of securities ①	40,756,937		38,958,962	
Other current operating earnings	38,270,455		35,114,193	
		$268,492,888		$242,147,221
CURRENT OPERATING EXPENSES:				
Interest paid	$ 55,746,344		$ 48,942,855	
Salaries and wages (including employes' bonus and participation in profit-sharing plan) ②	72,342,857		64,647,258	
Provision for taxes and assessments	52,843,224		46,018,293	
Other current operating expenses	27,244,176		21,664,233	
		$208,176,601		$181,272,639
NET CURRENT OPERATING EARNINGS		$ 60,316,287		$ 60,874,582
Addition to Reserve for Possible Loan Losses		10,000,000		10,000,000
NET PROFITS		$ 50,316,287		$ 50,874,582
DIVIDENDS PAID		$ 38,400,000		$ 38,400,000
ADDITION TO CAPITAL FUNDS FROM CURRENT EARNINGS		11,916,287		12,474,582
		$ 50,316,287		$ 50,874,582

① Net loss of $5,008,001 from sales of securities, after amortization recovered, in 1952; net profit of $1,783,135 from sales of securities, including amortization recovered, in 1951.

② Employes' bonus and participation in profit-sharing plan amounted to $6,350,542 in 1952 and $5,941,032 in 1951.

Deposit Trends

Greater industrial and business activity throughout California produced a large increase in demand deposits. Topping the four billion dollar mark for the first time, this class of deposits amounted to $4,040,208,773 on December 31, 1952, an increase of $303,453,720 for the year. Savings and time deposits, growing at the average rate of $1,000,000 a day, rose to $3,444,907,411, a year's increase of $365,795,668.

This savings record is especially worthy of note since it occurred in a year of substantial purchases of durable and semi-durable consumer goods which occasioned considerable borrowing. Despite their borrowings, the cash savings of millions of people—their first line of financial security—rose to new heights in 1952.

Growth in bank deposits over the nation was the rule rather than the exception. In our bank, the rate of gain in savings deposits was about 50 per cent above the national average, and about double the national rate of gain in demand deposits.

Use of Bank Credit

All over the United States, more use was made of bank credit in 1952 than in 1951, especially in the year's closing months. This was the condition in our bank, a condition brought about by increased use of all classes of bank credit.

Such a development stems from a number of facts: California is taking a greater part in the defense program; its farmers are producing more food, cotton and other staples; more people know the security of home ownership; homes are kept in a better state of repair; a higher standard of living prevails through more widespread use of modern appliances; employment conditions are the best they have ever been from the worker's point of view; and in these times of higher costs, more capital is needed to finance business. As a single example, last year about 150,000 home owners made major improvements to their property with the financial aid of loans from our bank. Numerous similar examples could be cited.

Regularly scheduled instalment payments give our loans an added degree of liquidity. For example, last year's payments on real estate loans approximated $332,000,000; liquidation of Timeplan and other instalment credit loans topped two billion dollars.

Included among loans outstanding last December 31st was $961,842,940 in loans or portions thereof guaranteed or insured by the United States Government or its agencies under the National Housing Act, the "G. I. Bill," the Defense Production Act, or some other provision of law. Government guaranteed loans constitute more than 23 per cent of total loans outstanding.

California's productive power provides the illustrative theme of this report to stockholders. This power is manifest everywhere: in agriculture and in industry, in forestry and in fishing, in construction and in power generation, in oil and other mineral production, in such ultra new fields as electronics. The record of 1952 is a good example of how Bank of America does its job of helping to facilitate the productive power of California by assembling the deposits of its people and employing their funds in constructive-purpose loans and investments.

MINERALS ★ RUBBER

MANUFACTURING ★ STEEL ★ CONSTRUCTION

Security Investments

About 63 per cent of our investments in securities at the end of 1952 were in United States Government issues, 2 per cent in securities guaranteed by the Government, 22 per cent in fully tax exempt state, county and municipal securities, and 13 per cent in other securities. Included in our holdings of United States Government securities were $1,089,258,400 par value due or callable in one year or less and $1,273,782,250 due or callable within five years. The one-year or less classification constituted 72 per cent of the government portfolio, and the five-year and under classification made up 84 per cent of the total.

Banking for Everyone

Statistics can be very dull; they can also be impressive. The count completed just a few weeks ago shows that, in our California branches, we are the custodian of 5,136,285 deposit accounts, and that we have 2,472,695 loans outstanding. These impressive figures have been built by adhering to the policy established by our Founder, A. P. Giannini, of making Bank of America the bank of the little fellow.

The five million figure for deposit accounts includes 3,314,111 savings accounts; the average savings balance is about $873. The average checking balance, exclusive of public funds, is about $1,567. The number of loans outstanding includes approximately 298,000 home and other real estate loans averaging about $5,630, and approximately 1,746,000 small loans to individuals and little business enterprises, which average about $450.

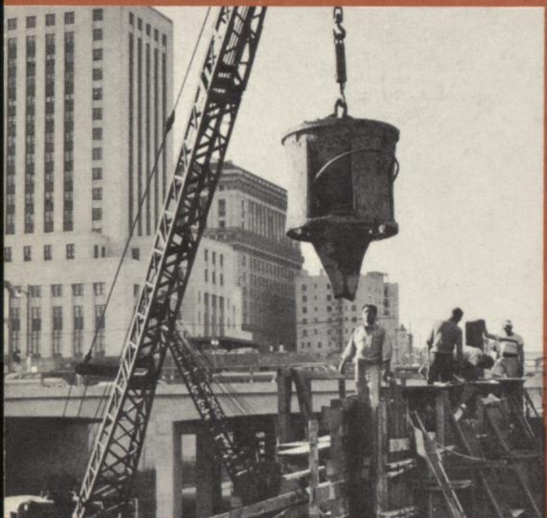
I assure you we shall continue to work out our destiny as the Little Fellow's Bank—his source of credit as well as his depositary.

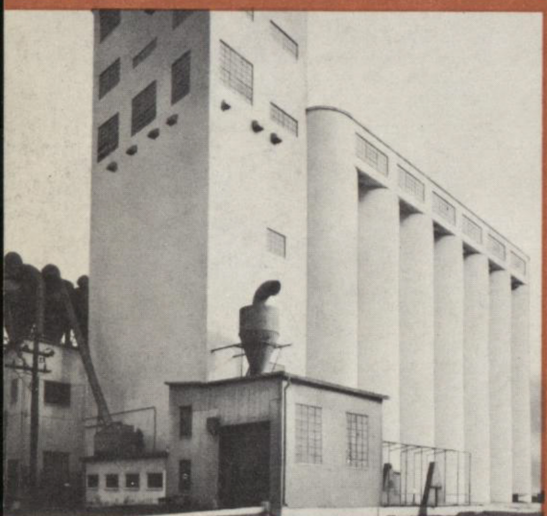
Having thus reaffirmed the importance of the small customer, I wish to comment on the banking needs of large business interests. In all of our experience, we have never found that our service to the small depositor and small borrower interfered in any way with serving the large corporation. On the contrary, the position which our bank has attained with the aid of small business enables us all the better to look after the large and growing requirements of leading corporations.

Trust Department

Another year of over-all growth of the Trust Department was featured by extension of our work in the pension, profit-sharing, and investment management fields. Pension and profit-sharing plans are being adopted by an ever increasing number of large employers, creating new needs for investment management and trust facilities such as ours. Competent investment management is also being sought more and more by people of moderate and substantial means, and by corporations and institutions whose security portfolios must be under constant, skilled supervision.

These conditions, along with production of new business of all types, helped to make 1952 the Trust Department's best year to date in both gross and net earnings.





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(Figures of Overseas Branches

RESOURCES

Cash in our vaults and in banks		$1,473,880,867.24
United States Government securities and securities guaranteed by the Government	$1,564,319,091.38	
Federal agency securities	191,956,285.64	
State, county, and municipal securities	534,179,714.05	
Other securities	113,647,684.41	
Stock in Federal Reserve Bank	9,750,000.00	
TOTAL SECURITIES		2,413,852,775.48
Loans guaranteed or insured by the United States Government or its agencies under the National Housing Act, the "G.I. Bill," the Defense Production Act, or some other provision of law	$ 961,842,939.63	
Other loans to our customers for use in their businesses for building, buying, or modernizing their homes, for financing automobile or household equipment purchases, etc.	3,107,307,531.84	
TOTAL LOANS AND DISCOUNTS		4,069,150,471.47
We have interest due us on bonds and loans, and accounts receivable		34,891,187.21
We have customers' guarantees or securities for letters of credit and acceptances, and their obligations on endorsed bills and notes		147,868,602.49
Bank buildings, furniture, fixtures, and safe deposit vaults. This figure represents the cost less depreciation reserve of $28,851,382.02		58,670,207.45
Other real estate owned. This is unoccupied bank premises and real estate acquired in the settlement of debt, carried at less than cost or at appraised value		1,028,275.28
Other resources, including automotive equipment, deferred charges, etc.		2,346,982.26
TOTAL RESOURCES		$8,201,689,368.88

Member Federal Reserve System . . . Mem

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CONDENSED STATEMENT OF C

RESOURCES

Cash in Vault and in Banks	$19,303,188.61
United States Government Obligations, direct and fully guaranteed	16,344,332.29
Loans and Discounts	20,861,207.11
Accrued Interest	77,003.90
Customers' Liability on account of Letters of Credit and Acceptances, and on Endorsed Bills and Notes	41,730,833.68
Other Resources	225,889.48
TOTAL RESOURCES	$98,542,455.07

COMBINED RESOURCES

America
ND
GS ASSOCIATION

on December 31, 1952

are as of December 24, 1952)

LIABILITIES

Capital. Representing the investment of over 220,000 stockholders	$ 150,000,000.00	
Surplus. Paid in by stockholders or accumulated from earnings	175,000,000.00	
Undivided profits. Profits accumulated and not distributed	94,076,801.06	
Reserves. Set aside out of accumulated profits by the Board of Directors, available as a reserve, in addition to Surplus and Undivided Profits, against normal contingencies	5,225,344.62	
TOTAL CAPITAL FUNDS		$ 424,302,145.68
Reserve for possible loan losses. This reserve is to apply against any loan losses that may develop in the future; it has not been allocated to any particular loans or type of loans		51,423,848.87
Demand deposits. Funds placed with the bank by individuals, corporations, firms, banks, United States Government, State of California and political subdivisions thereof (payable on demand)	$4,040,208,772.98	
Savings and time deposits. Funds placed with the bank in savings accounts or for extended periods of time by individuals, corporations, firms, banks, United States Government, State of California and political subdivisions thereof	3,444,907,410.89	
TOTAL DEPOSITS		7,485,116,183.87
We have issued letters of credit and accepted bills on behalf of customers, and have endorsed bills and notes, all of which are secured by customers' obligations or collateral included in resources		152,324,365.61
We have reserved for interest received in advance on loans This amount will be taken into income as earned		40,482,144.54
We have set aside as a reserve for interest payable on time deposits and for taxes and other expenses		48,040,680.31
TOTAL LIABILITIES		$8,201,689,368.88

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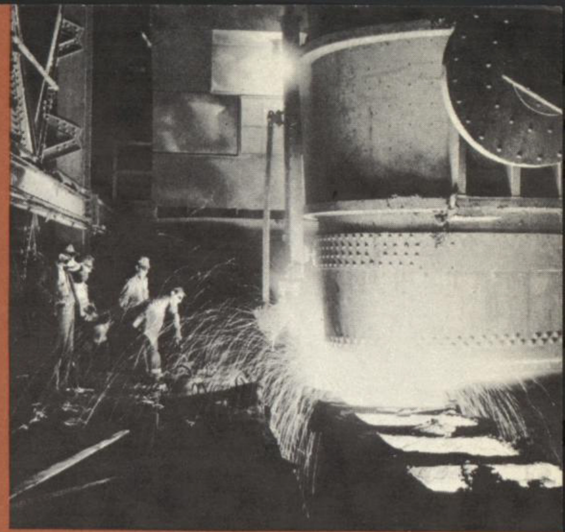
ed subsidiary

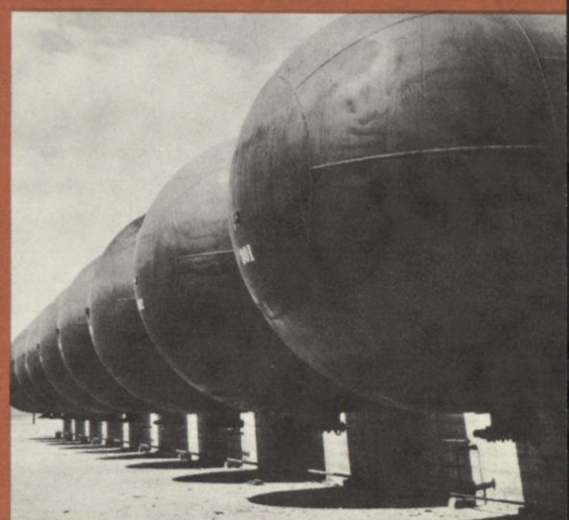
ONDITION DECEMBER 31, 1952

LIABILITIES

Capital	$10,000,000.00	
Surplus	3,000,000.00	
Undivided Profits	185,553.81	
TOTAL CAPITAL FUNDS		$13,185,553.81
Reserve for possible Loan Losses		300,000.00
Deposits		42,781,432.06
Liability for Letters of Credit and as Acceptor of and Endorser on Acceptances, Bills, and Notes		41,819,689.52
Reserve for Interest Received in Advance		46,130.15
Reserve for Interest, Taxes, etc.		409,649.53
TOTAL LIABILITIES		$98,542,455.07

OVER $8,300,000,000





With its constantly growing number of participants, our Common Trust Fund ranks as one of the largest of its kind in the country. Through participation in this fund, small estates command the advantages of security diversification and trained management.

Our stockholders have been a valuable source of new trust business as well as other classes of bank business. Such thoughtfulness is greatly appreciated by the management. The benefits are mutually rewarding since new business stimulated by the stockholders helps to build earnings.

International Banking

There is general agreement that the ultimate goal in this country's international relations should be "more trade and less aid." Such a development is not only much to be desired, it is imperative for the economic health of this country, and other countries as well.

In our International Banking Department there exists an agency of great potential usefulness in bringing about and maintaining a permanently satisfactory status of trade relations between nations, featuring employment of private capital. The real story of this department, it seems to me, is not so much in the statistical facts of its work and growth last year and in the other postwar years, as it is in the availability of such an instrumentality in working out any program seeking to supplant foreign aid with foreign trade.

International banking organizations such as ours are useful in spreading knowledge of customs and needs of the different countries, in appraising possibilities for employment of American capital abroad, and in providing facilities for financing imports and exports. Recent expansion of this department is a development of national and international value, quite as important as its contribution to our earnings.

The year's development of our international banking organization was featured by the opening of our West End branch in London, a branch in Osaka, Japan, and five overseas military banking facilities. This broadening of the organization was manifest in volume of business transacted, in assets employed, and in earnings realized.

During the year, total capital funds of Bank of America (International), our wholly owned subsidiary, were increased from $7,821,818 to $13,185,554. Capital and Surplus were increased from $7,500,000 to $13,000,000. Of this increase, $5,000,000 was paid in for new capital stock by the parent, Bank of America N. T. & S. A., and $500,000 represented a transfer from Undivided Profits. Total resources rose from $85,963,178 on December 31, 1951, to $98,542,455 on December 31, 1952.

Branch Extension and Improvements

Approximately seven million dollars was invested last year in new buildings, major remodeling and expansion projects, parking lots and banking sites. During the postwar years, 1946-1952, we completed 474 such major proj-

ects, involving an investment of nearly $33,000,000. There is still much work to be done before we catch up with the requirements of our growing patronage.

Including last year's additions, our banking system is now composed of 538 California branches, 31 domestic military facilities, nine overseas branches, six overseas military facilities, and representatives' offices in New York City and four foreign cities: Paris, Milan, Zurich and Mexico City.

The Bankamerican Family

Having touched upon major activities of the bank, I want to thank our whole family of Bankamericans—the directors, officers and other employes, and the stockholders—for their contributions to a good year.

We are fortunate in having on our staff over 1,300 officers and other employes who have devoted more than a quarter century to service in the bank. A still larger number have completed 5 years, 10 years, or 15 years of service. But it takes more than 19,000 people to operate our bank today. This is an increase of 2,000 within the past year. Of necessity, much of our work is presently being done by people of limited banking experience.

In the matter of serving the bank's customers, the management sets a high standard. In all candor, I must admit that present conditions in the employment market are not helping us to live up to our standard. As everybody knows, there are more jobs in California today than can be handled by the available supply of trained workers. We are all operating in a tight labor market. A glance at "help wanted" advertising quickly tells the story. This poses a problem in which all employers are having more or less the same experience. Today's problem is not to find opportunity and responsibility equal to the capabilities of up-and-coming bankers; it is, rather, to develop sufficient banking talent, fast enough, to handle our growing business. Evidence of opportunity is found in the fact that last year more than 200 new officers were promoted from Bankamerican ranks. A much larger number stepped up the ladder on the way to becoming officers of the future.

From earnings of 1952, approximately $8,100,000 was allocated for employe benefits under the Family Estate Plan, to provide for insurance, retirement, Christmas cash payment, investment in stock of the bank, and other benefits. To 540 Bankamericans now on military leave, we extend our best wishes. We eagerly await their return to posts of duty with us.

The Federal Reserve Case

In its four-year-old anti-trust proceeding against Transamerica Corporation, the Federal Reserve Board last March adopted the "recommended decision" filed nine months previously by its hearing officer and fellow board member. The Board's decision was by a three-to-two vote. Two Governors vigorously dissented; two did not participate. The decision directed Transamerica to sell its stockholdings in various western banks, including 22 California banks which Bank of America once contracted to buy, to some purchaser other than Bank of America. It is only in this respect that the decision affects our bank at all.

Transamerica has petitioned the Federal Court of Appeals to review the Reserve Board's decision and dismiss the complaint. This petition should be heard during 1953.

In October, Transamerica and its subsidiaries completed a program to dispose of their holdings of Bank of America stock. As a result, neither Transamerica nor any of its subsidiaries now owns a single share of stock in our bank. There are no officers or directors who are common to both institutions.

The California Trend

In such basic particulars as population, employment, production, and the earnings, savings and purchases of individuals, the California trend maintained its upward course in 1952. Almost five million people had jobs. Individual incomes from employment, investments, and other sources, established a new record around twenty-three billion dollars. The greatest increase in income was in the salary and wage classification. Private and public construction projects exceeded three billion six hundred million dollars. Gross receipts from farm marketings reached a new high at around two billion seven hundred million dollars. The year's retail trade approached fifteen billion dollars.

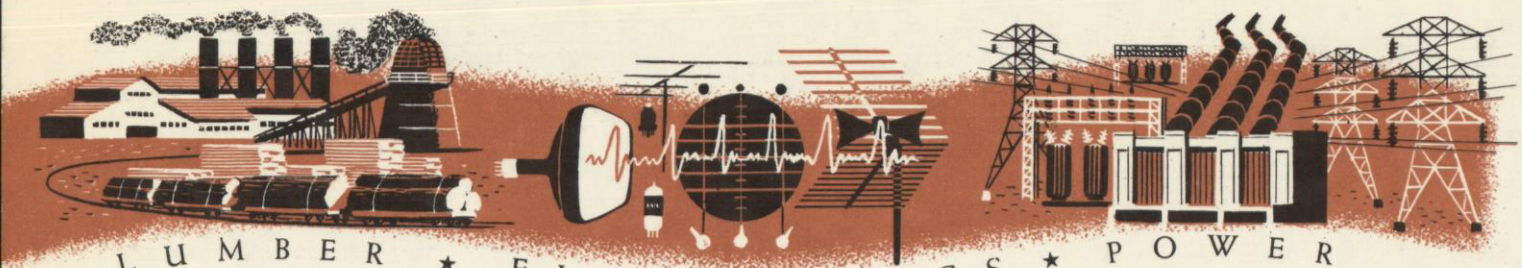
The basis of California's economic strength is revealed not so much by these highlights of 1952 as by the longer record. Since 1940, for example, the state's population has increased four and three-quarter millions. During the first several years of this period of population growth, everything was in short supply. We are still working to catch up with demand for homes, schools and churches, highways, utility services and gas stations, everything that is needed in a state, not of yesterday's seven million, but of today's nearly twelve million population. While we strive to make up for the shortages of war years, still greater demands develop as our population continues to expand. These circumstances have created an unusual demand for credit of all types. Such natural forces have been helpful to our growth.

Our National Interest

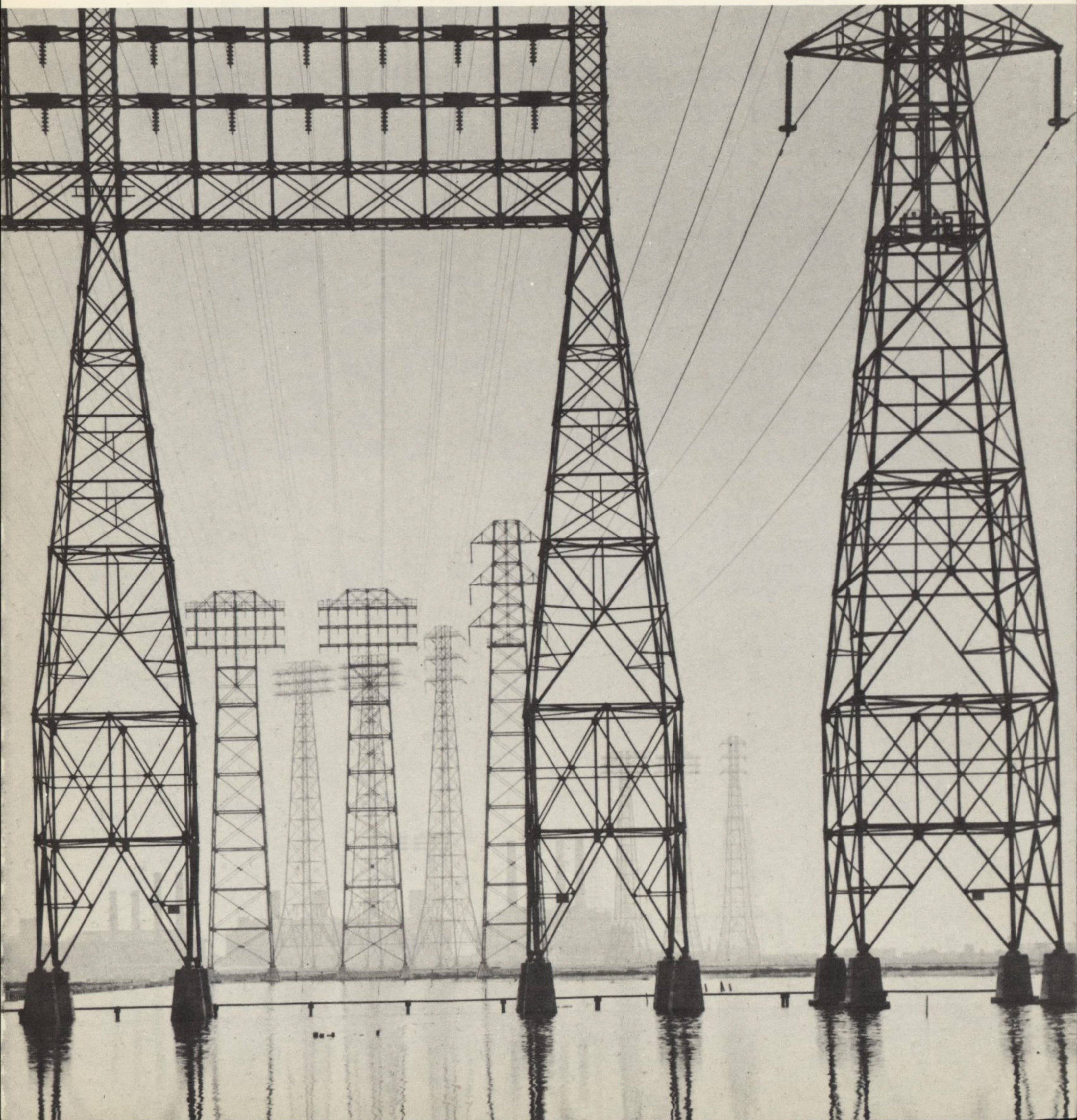
Last year's election was conducted in the true American manner. We shall now work under a new administration in Washington, hopeful that it will faithfully represent the best interests of all of us. More people voted than ever before. More people "sat in" on the proceedings and the debating, thanks to the magic of television, radio, air transportation, telegraphic transmission of pictures, and the masterly job done by the nation's press in discussing and reproducing the record for all to study. Presumably more people shared the cost of the election campaigns. Some eyebrows were lifted over the gross cost, but it may be regarded as money well spent, for it dramatized the issues, gave people a political awareness, and welded them to their government as never before.

The job of President of the United States calls for a great deal more than normal abilities. It demands almost superhuman capabilities. Our president must be able to rise to the occasion, and must achieve results beyond ordinary

LIVESTOCK ★ CROPS ★ FISHING



LUMBER ★ ELECTRONICS ★ POWER



human attainments. I think we have chosen a man of such capacity for the White House. His cabinet appointments appear to support his reputation for choosing eminently qualified persons for important assignments.

Bankers, as custodians of the people's money, are frequently approached by depositors on the question of the future value of their savings represented by deposit accounts, insurance policies and bonds, including United States Government bonds, in view of the pernicious inflation in our economy. A large segment of society, particularly in the elderly bracket, whose livelihood is dependent upon income from such sources, has already been impoverished by inflation, and we share the concern of these people for the future.

Unfortunately, because of the insistence on retention by the pressure groups they benefit, we have continued to live under the baneful influence of inflationary measures long after the emergencies which spawned them have disappeared, and have watched them assume the character of permanency.

We all recognize the necessity for maintaining an adequate defense program, and over the past few years the spending in this connection has constituted the bulk of our national budget. While this program in itself has been a factor contributing to inflation and thus raising its own costs, other inflationary forces have been responsible for swelling defense costs unduly.

The election of an outstanding soldier as President of the United States implies that a majority of the voting public realizes it will take a determined and forceful leader to bring an end to government by expediency and to the waste, extravagance, and confiscatory taxation that it engenders. It was an indication that the voters wanted more business in government and less government in business.

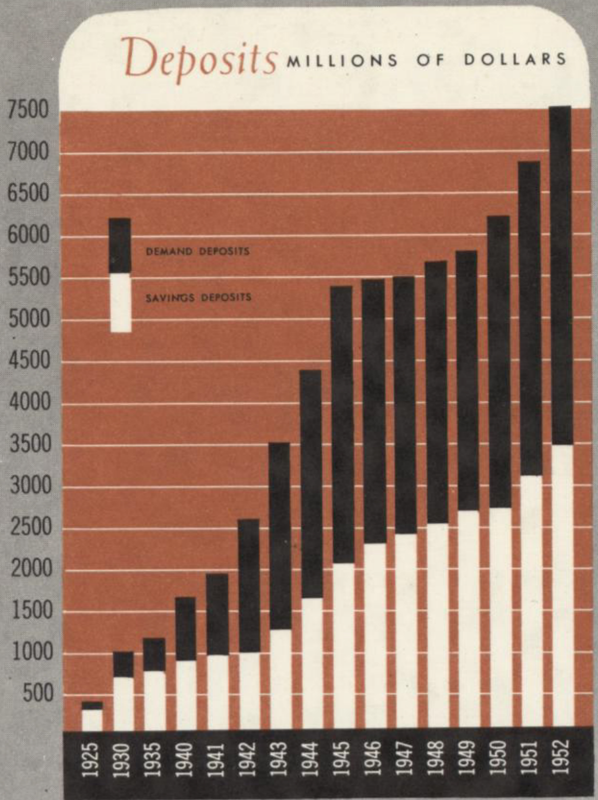
To avoid further deterioration of the present inflationary situation, long range objectives should be kept in view when determining monetary and fiscal policies of the Government; and the inherently evil emergency measures that sprang up like opiate weeds in the economic field during World War II must be eradicated before they strangle the economy.

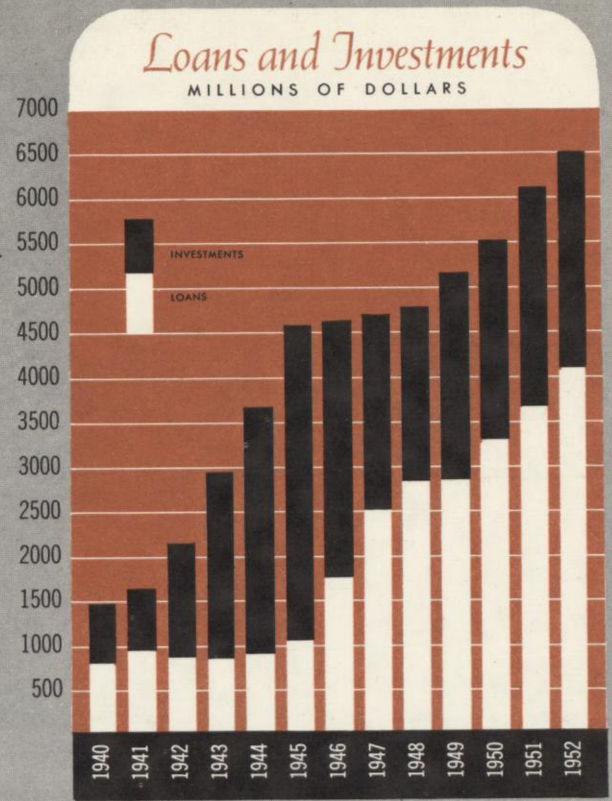
There are those who argue that a retreat from inflation and artificial prosperity to the line of a more stable economy would be too hard for the American people to endure. However, I interpret the action of the majority of voters in the recent election as a clear mandate to our new President and Congress to change the inflationary direction of our economy. This, I am confident, will be done.

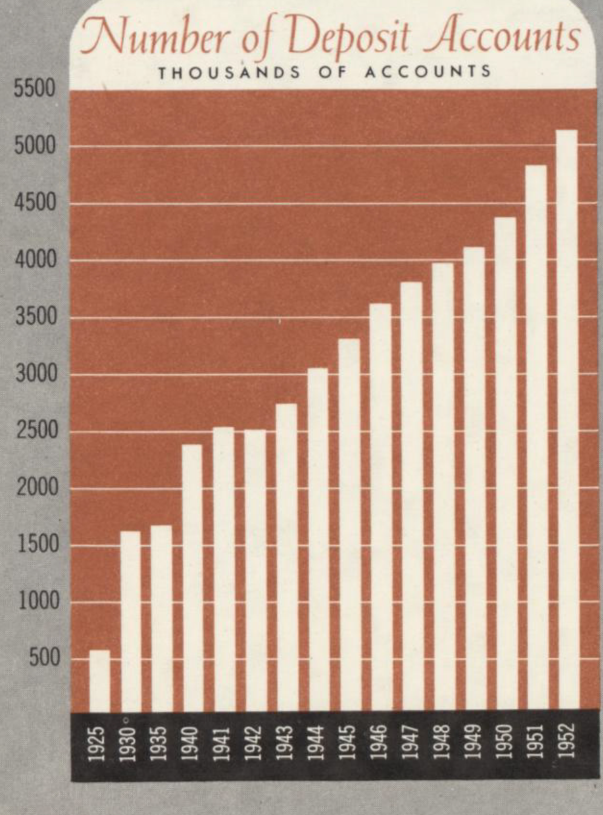
Respectfully,

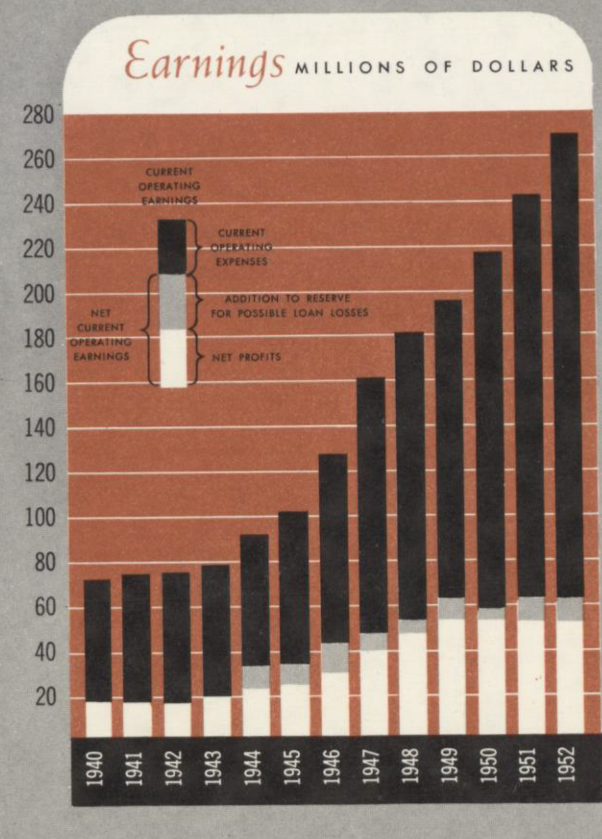
O. F. Heath

President


Deposits MILLIONS OF DOLLARS
7500
7000
6500
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
DEMAND DEPOSITS
SAVINGS DEPOSITS
1925
1930
1935
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951
1952


Loans and Investments
MILLIONS OF DOLLARS
7000
6500
6000
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
INVESTMENTS
LOANS
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951
1952


Number of Deposit Accounts
THOUSANDS OF ACCOUNTS
5500
5000
4500
4000
3500
3000
2500
2000
1500
1000
500
1925
1930
1935
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951
1952


Earnings MILLIONS OF DOLLARS
280
260
240
220
200
180
160
140
120
100
80
60
40
20
CURRENT OPERATING EARNINGS
CURRENT OPERATING EXPENSES
ADDITION TO RESERVE FOR POSSIBLE LOAN LOSSES
NET CURRENT OPERATING EARNINGS
NET PROFITS
1940
1941
1942
1943
1944
1945
1946
1947
1948
1949
1950
1951
1952

Growth of Bank of America, N T & S A

Dec. 31	Total Deposits	Capital	Surplus and Undivided Profits	Loans and Discounts	Investments in Securities	Total Resources	Number of Deposit Accounts	Number of Banking Offices in California
1904	$ 134,413	$ 150,000	$ 1,024	$ 178,400	$ 34,446	$ 285,437	①	1
1905	703,024	300,000	10,000	883,522	24,505	1,021,291	①	1
1906	1,348,723	500,000	31,565	1,471,123	81,571	1,899,947	①	1
1907	1,660,324	500,000	46,945	1,678,222	①	2,221,347	①	2
1908	1,728,899	750,000	78,673	1,669,567	57,884	2,574,005	①	2
1909	2,929,495	750,000	90,820	2,445,137	266,628	3,817,218	①	3
1910	5,348,151	1,000,000	150,000	4,159,459	858,547	6,539,861	①	3
1911	7,129,456	1,000,000	201,649	4,885,974	1,638,000	8,379,347	①	3
1912	9,916,018	1,000,000	251,437	7,092,823	1,846,769	11,228,815	①	4
1913	14,226,242	1,250,000	330,390	10,282,785	2,406,706	15,882,912	42,378	7
1914	16,272,563	1,250,000	350,217	11,457,790	2,677,718	18,030,402	50,253	7
1915	20,474,873	1,250,000	374,244	12,970,068	5,084,363	22,321,861	58,854	7
1916	36,804,776	2,000,000	691,452	23,682,894	7,527,408	39,805,995	90,683	12
1917	72,044,729	3,000,000	1,100,000	47,004,189	13,308,177	77,473,153	141,298	19
1918	85,937,839	5,000,000	2,000,000	59,869,035	14,538,649	93,546,162	161,626	24
1919	127,258,626	6,000,000	2,500,000	74,737,335	33,855,881	137,900,700	189,511	24
1920	140,993,545	9,000,000	3,913,240	95,127,616	37,199,447	157,464,685	221,788	24
1921	177,867,611	10,000,000	5,036,948	116,911,735	43,499,682	194,179,450	291,994	41
1922	229,751,526	15,000,000	7,529,844	152,989,286	59,090,529	254,282,290	401,798	61
1923	276,548,879	15,000,000	8,616,832	200,505,931	56,543,859	301,963,478	485,136	75
1924	328,963,919	17,500,000	10,561,578	204,472,438	96,489,255	358,656,302	548,265	87
1925	389,433,241	17,500,000	13,474,173	228,793,066	121,678,890	422,838,587	595,032	98
1926	416,656,511	20,000,000	16,928,035	255,557,233	129,630,279	460,981,773	616,313	98
1927	645,002,138	37,500,000	25,540,829	403,864,139	238,856,707	765,188,977	1,083,303	289
1928	698,435,841	50,000,000	55,756,632	410,276,641	272,884,061	847,910,539	1,139,076	290
1929	893,892,733	50,000,000	58,251,159	541,617,718	246,538,740	1,055,113,373	1,444,090	292
1930	998,039,477	50,000,000	54,136,374	669,258,341	249,139,543	1,161,895,889	1,625,381	353
1931	749,796,772	50,000,000	54,290,312	548,431,954	237,965,856	925,150,152	1,542,783	346
1932	700,447,811	50,000,000	49,890,774	480,675,374	262,952,550	876,309,347	1,380,550	345
1933	767,817,646	50,000,000	49,591,605	458,693,566	311,084,996	941,001,838	1,357,224	345
1934	978,332,802	50,000,000	47,164,341	461,645,975	477,989,657	1,142,323,319	1,547,604	413
1935	1,155,265,465	50,000,000	50,867,307	451,009,354	622,694,559	1,277,419,381	1,677,558	421
1936	1,298,976,759	50,000,000	55,024,112	532,076,966	625,809,982	1,430,337,201	1,911,035	466
1937	1,357,378,756	50,000,000	59,104,964	630,668,811	553,131,379	1,493,373,095	2,123,057	491
1938	1,437,027,491	50,000,000	64,058,600	673,828,309	557,632,428	1,574,721,670	2,182,298	494
1939	1,482,791,676	50,000,000	66,845,842	711,054,697	604,268,671	1,628,586,278	2,268,843	495
1940	1,632,228,397	62,000,000②	82,278,753	778,295,101	668,676,296	1,817,535,186	2,384,551	495
1941	1,908,383,921	60,800,000②	83,634,808	914,569,553	693,113,910	2,095,635,619	2,538,783	495
1942	2,586,140,699	59,215,920②	83,151,214	840,469,960	1,265,749,444	2,771,689,632	2,512,805	487
1943	3,498,153,210	58,102,920②	87,051,168	810,660,642	2,095,432,722	3,697,912,675	2,743,231	488③
1944	4,350,539,688	68,085,560②	140,779,201	894,436,931	2,740,064,364	4,609,124,133	3,054,803	491③
1945	5,339,307,098	108,085,560②	117,155,495	1,018,741,456	3,533,172,278	5,626,063,927	3,316,494	493③
1946	5,415,849,715	106,646,375	130,235,547	1,722,743,513	2,882,151,377	5,765,525,193	3,619,925	500③
1947	5,467,199,162	106,646,375	150,525,936	2,492,979,739	2,170,721,906	5,845,817,669	3,815,802	508③
1948	5,639,523,419	106,646,375	172,872,255	2,807,070,398	1,945,231,719	6,072,913,872	3,978,403	517③
1949	5,775,110,029	127,975,650	177,868,961	2,804,522,646	2,322,505,622	6,250,402,352	4,120,523	525③
1950	6,191,705,871	150,000,000	244,822,146	3,256,953,558	2,243,415,017	6,863,358,214	4,374,838	526③
1951	6,815,866,795	150,000,000	257,218,390	3,632,685,350	2,439,510,645	7,531,296,927	4,832,147	529③
1952	7,485,116,184	150,000,000	269,076,801	4,069,150,471	2,413,852,775	8,201,689,369	(November 30) 5,136,285	538③

① Not available.

② Includes Preferred Stock but does not include Reserve for Increase of Common Capital, which amounted to $1,200,000 in 1941, $2,784,080 in 1942, $3,897,080 in 1943, and $3,914,440 in 1944. This Reserve was not needed and was transferred to Undivided Profits on June 15, 1945, concurrently with the payment of a 66⅔% stock dividend. During 1946, 400,327 shares of Preferred Stock ($8,006,540 par value) were converted into 531,710 shares of Common Stock ($6,646,375 par value), and the difference in par value, $1,360,165, was credited to Surplus Account. The remaining shares of Preferred Stock, 3,951, were retired by call July 31, 1946.

③ In addition, the bank was operating 31 "Military Facilities" at December 31, 1943; 42 at December 30, 1944; 39 at December 31, 1945; 15 at December 31, 1946; 12 at December 31, 1947 and 1948; 17 at December 31, 1949; 21 at December 30, 1950; 25 at December 31, 1951; and 31 at December 31, 1952.